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TRANSMITTAL SLIP		DATE 18 October 1963
TO: Assistant Deputy Director (Support)		
ROOM NO. 7D-18	BUILDING HQ	
REMARKS: <i>Short version Task Force reply to OGC memo of 2 Aug 63</i>		
<div style="border: 1px solid black; height: 80px; width: 100%;"></div>		
FROM: <input checked="" type="checkbox"/> Director of Personnel		
ROOM NO. 7D-18	BUILDING HQ	EXTENSION

OGC Has Reviewed

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MEMORANDUM FOR: Assistant Deputy Director (Support)

SUBJECT : Insurance Program of the Central
Intelligence Agency

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1. Attached is a copy of the draft Insurance Task Force
paper prepared by [] prior to his departure. This
is part of the background information that you will want to
study before proceeding as the new Chairman of the Task Force.
STAT
In addition, [] suggests that he brief you and me on
some of the background underlying the points covered in the
memorandum.

2. When you are ready to discuss the matter further,
please advise.

[]

✓ Emmett D. Echols
Director of Personnel

Attachment

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MEMORANDUM FOR : Deputy Director (Support)

THROUGH : Director of Personnel

SUBJECT : Insurance Program of the Central
Intelligence Agency

REFERENCE : Memorandum for C/BSD/OP, from DD/S,
dated 5 June 1963, Subject: GEHA Group
Life Insurance Program. (Tab A)

1. Pursuant to referenced memorandum, a Task Force consisting

of [] Chairman; [] Member; and

[] Member and Legal Advisor, submits the following

report on the Insurance Program of the Central Intelligence Agency.

The comments of the GEHA Board of Directors are attached as Tab C

2. The Task Force was appointed to examine certain aspects of

the GEHA Group Life Insurance Program--aspects which were highlighted

in a memorandum for the record dated 2 May 1963 by []

of the Office of General Counsel. (See Tab B) The Task Force believed

a broader examination than that suggested by [] memorandum

should be made. Accordingly, the Task Force has reviewed in detail the

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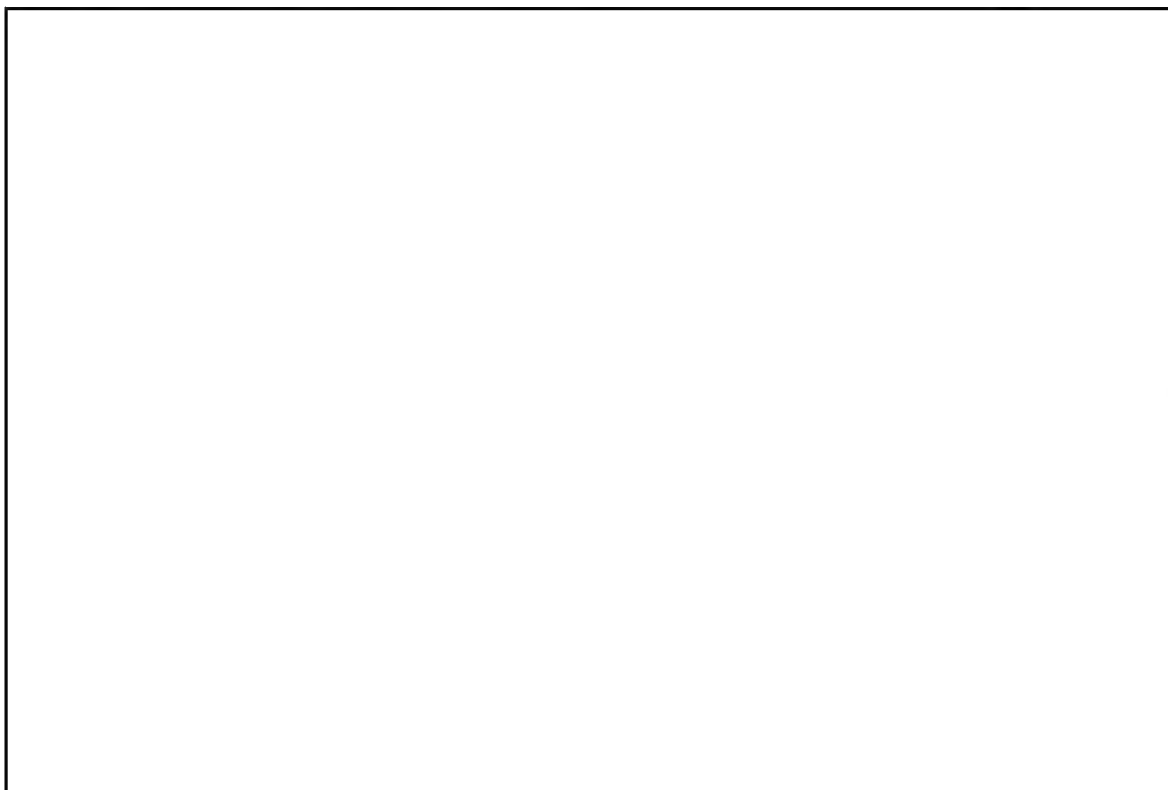
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recollection of those officers who participated most actively in its early development.

3. GEHA's history has been one of vigorous expansion to meet the Agency's unique needs in the insurance field for appointed and contract employees. At this point it would be well to recognize two other groups of persons which are afforded insurance or similar benefits through other than the GEHA mechanism. They are:



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b. Field agents (limited almost exclusively to the Clandestine Services) who are ordinarily provided a death or disability benefit to be paid, if required, from project funds. Seldom does the individual project contemplate or provide for the purchase of insurance as such.

25X1 4. This Task Force has confined its interest thus far to the GEHA mechanism and to [] specific points which deserved objective study and analysis. Without dismissing the other two areas of Agency interest, *and which require further study,* as mentioned in paragraph 3 above, the Task Force believes certain conclusions and recommendations for action on the GEHA program to be appropriate at this time.

5. CONCLUSIONS AND RECOMMENDATIONS

25X1 a. The corporate entity of GEHA should be retained for the time being, if for no other reason than to continue to be the mechanism for qualifying the Agency's health insurance program

questions this

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under the Federal Employees Health Benefits Act of 1959.

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b. [] memorandum observed that the contract for the plan of insurance for contract personnel did not include any reference to what would be a "standard risk", and that the carrier has the right to change the premium rates on a monthly basis if the claims experience was unfavorable.

(1) How the "standard risk" concept came into existence, with respect to this contract, is lost in a miasmal mist, and as [] observed, the concept is nebulous at best. We suggest that even after 15 years of experience with an Agency insurance program an attempt at definition would produce as many variations as there are draftsmen. We favor an approach which retains the element of complete flexibility to enable men of good will to assess all known facts and to then decide whether operational, security,

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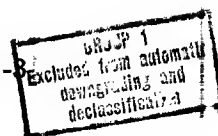
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to cover one person or a group of persons with
available insurance.

(2) The second point, that of monthly pre-
mium ^Ncharges, is more easily disposed of. In
discussion with the underwriter, we were informed
that the Company's right to change premium rates
as stated in the contract "On the first policy anniver-
sary and upon each premium due date thereafter, ***"
is standard terminology and refers to the possibility of
an annual ^Ncharge, not a monthly ^Ncharge. This policy,
unlike the first UBLIC policy, is a pre-printed form
with blanks which are filled in when the policy is issued.
Unless we wish to ask for a complete rewrite in manu-
script form, we see no objection to the present form.



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c. [] has doubts about the legal effect of

a letter dated November 15, 1956 addressed to GEHA by

Mr. Joseph E. Jones, General Agent of UBLIC which is

quoted below:

"To eliminate any doubt in your minds or ours regarding the underwriting of your group, we would like to again state our position.

1. Our agreement was entered into with the definite understanding that we were to cover normal hazards of the Intelligence business, accepting an occasional hazardous risk by a full-time employee, and an operator entering into this extra-hazardous situation only on a very occasional basis.

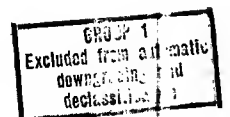
2. It was understood that we were not to cover extra-hazardous operations on a continuing basis. (It would be well to note Provision No. 3 in the Supplementary Provisions on the Master Contract.)

3. A letter sent from me in 1954 stated that the company must rely wholly and completely upon the integrity of the men administering this case.

4. These conversations were held with our First Vice President, Mr. Gale E. Davis, and Mr. A. W. Randall, Chief of Group Operations, myself, and your representatives. We very definitely excluded any jet operations or extra-hazardous flights.

We hope that the views expressed above coincide with your understanding. "

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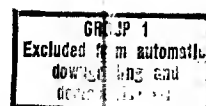
25X1 We share [] doubts. The UBLIC contract contains no exclusions of this nature. But a "good faith" arrangement between the Agency and Mutual of Omaha has existed for many years and there can be no question whatever that there has been a conscious attempt on both sides to deal candidly and fairly with each other. Mutual of Omaha stepped forward in 1948 to offer us a health insurance plan to be administered on our terms - something no other company was willing to do. Over the years we have expanded our dealings to include many other forms of desirable insurance. We have not, therefore, "dealt at arm's length". So, while the November 15, 1956 letter may have absolutely no legal effect on us, it does have a moral effect. How then, do we dispose of it? The answer, we believe, is to be found in the fact that since 1956 we have continued our close association with the company and through

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have tried to implant the tacit acceptance of our unique and unusual occupations. For example, in recent dealings with these two men, the President of GEHA has emphasized that the Agency views the UBLIC contract as one in which we can now cover any risk we feel should be covered. This leaves to the Agency's discretion, whether UBLIC should pay for a given death or deaths or whether the Agency, with due regard for the interests of all other UBLIC policyholders should share in the payment of death claims. Referring to our earlier views on a definition of "standard risk", we would have the same reservations on trying effectively to define "hazardous" "extra-hazardous" "super-hazardous", and the like. The degree of risk to which a person is exposed has to be purely and simply that which the Agency, in its best judgment, feels is warranted under the circumstances. We see no need now to re-

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d. Events have overtaken comments re-
specting the adequacy of the present UBLIC term policy. A
study has almost been completed by the Insurance Branch,
working with the underwriter, to revise and update this
valuable policy. In the study, an effort has also been made
to compare the UBLIC policy with what other suitable companies
are willing to offer. The results of this study will come forward
in due time.

e. questions whether the underwriter should
have the right of inspection of Agency insurance records and
the right to medical examination and autopsy. The UBLIC policy
for appointed employees confers no right of inspection of Agency
records but the contract employee UBLIC policy does, a point on
which we have no objection. The right to medical examination and
autopsy is not objectionable. The right of medical examination

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faith relationship would be called into play if operational or security considerations dictated.

f. The first UBLIC Contract covering staff types was issued to "GEHA". The second UBLIC contract, covering contract types, was issued to "GEHA Contract Employees"

25X1 has a good point with respect to the latter since in fact, it is the same "GEHA" which is the policyholder. This should be corrected and the underwriter is completely willing to make the change.

g. The Office of the General Counsel has concluded that GEHA should remain incorporated under the laws of the District of Columbia.

h. GEHA By-laws should be amended as follows:

(1) Article II - Qualifications for Membership.

Present:

"Section 1. The membership shall generally be

limited to Staff Employees, Staff Agents and Civilian and Military details to the Central Intelli-

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gence Agency. However, upon the specific approval of the Board of Directors, certain Contract Employees may also be eligible for GEHA membership. "

"Section 2. Any person who is eligible for membership must make application therefor in writing. The Board of Directors, or their duly authorized representatives, must accept or reject any such application, and such action thereon shall be final. Retention of membership shall be at the discretion of the Board of Directors. "

Proposed:

"Section 1. Membership in the Association shall be as determined by the Central Intelligence Agency. "

"Section 2. Any person declared eligible for membership must make application therefor in writing, to the President of the Association, or his designee. Membership shall continue for so long as the person is authorized by the Agency to subscribe to any of the GEHA plans of insurance. "

(2) Article V, Section 7 - Board of Directors.

Present:

"Section 7. The Board of Directors shall establish policy and be responsible for the proper administration and management of the affairs of the Association; and may adopt such rules and regulations for the conduct of its meetings and the management of the Association as it may deem proper, not inconsistent with law, these By-laws, or the operational and security requirements of the Central Intelligence Agency. "

Proposed:

"Section 7. The Board of Directors shall be responsible for providing the Director of Personnel of the

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Central Intelligence Agency with advice and guidance on the suitability and acceptability of plans of insurance developed to satisfy the Agency's specific needs; and may adopt such rules and regulations for the conduct of its meetings and the management of the Association as it may deem proper, not inconsistent with law, these By-laws, or policy and operational and security requirements of the Central Intelligence Agency. "

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